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2 June 1958

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Copy No. 140

CENTRAL INTELLIGENCE BULLETIN

DOCUMENT NO. 28
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE 12680 REVIEWER:

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State Dept. review completed

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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CENTRAL INTELLIGENCE BULLETIN

2 June 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR - Nuclear ban talks: Premier Khrushchev's letter of 30 May accepts President Eisenhower's proposal that technical talks on nuclear test ban controls begin within three weeks, but seeks to maintain the parity principle as a precedent for summit talks by proposing that Poland and Czechoslovakia participate if Britain and France do. The letter also suggests the inclusion of India and possibly other countries, not named. Khrushchev seeks to maintain pressure on the West for a rapid halt in testing by insisting that the final report of the experts be made in three or four weeks, rather than the 60 days the President suggested as a goal.

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USSR - France: The counselor of the Soviet Embassy in Paris, perhaps voicing Moscow's real sentiments, has told an American official that "things might not be too bad" if De Gaulle came to power with the support of most of the assembly. His other remarks suggest that Moscow sees no advantage in violent Communist resistance to De Gaulle and does not believe the time is yet ripe for a popular front.

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Soviet bloc Moscow meetings: Despite the USSR's efforts to tighten the bloc's economic structure at the recent meetings in Moscow, no restrictions were placed on Polish freedom of action to expand trade relations with the West, according to a high Polish Foreign Ministry official. The Poles also intend, he said, to continue developing closer

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

economic ties with Belgrade, and the committees already established for this purpose will meet soon. He claimed that the Polish delegation to the Warsaw Pact political committee meeting had found several points to criticize in the communiqué and had worked for moderation in its drafting.

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II. ASIA-AFRICA

[redacted]

Israeli border incidents: A recent increase in the number of relatively serious incidents on the Israeli-Syrian and Israeli-Jordanian borders may be in large part a product of the general heightening of area tensions as a result of developments in Lebanon. The Israelis still do not appear to be contemplating any direct intervention of their own at this time. They might, however, adopt a more aggressive posture along their borders with Syria and Jordan in the hope of easing UAR pressure on the pro-Western Lebanese Government, whose preservation the Israelis believe is very much in their own interests.

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[redacted]

Burma: Prime Minister U Nu is determined to call for early general elections, which would probably be accompanied

[redacted]

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by widespread violence in rural areas and which in any case would lead to Communist parliamentary gains. Nu says he will take this action since he seems likely not to obtain a workable majority in the 5 June parliamentary vote to decide which of the warring factions of the ruling party will form a new government. There is a chance the army might intervene to prevent elections. [redacted] 25X1
(Page 4)

No

Ceylon: The Bandaranaike government on 30-31 May airlifted strong military reinforcements to Tamil districts in the north and east to control fresh outbreaks of communal violence directed against government forces. The governor general and the inspector general of the police are convinced that Communists instigated some of the riots. The emergency powers invoked on 27 May appear to have restored order in the Colombo area. Bandaranaike will face heavy attacks during a special parliamentary session on 4 June from opposition groups for his failure to maintain order and from Singhalese extremists in his own coalition because he has ordered the suppression of Singhalese as well as Tamil extremists.

[redacted] 25X1

No

Indian financial crisis: The Indian Government is faced with a major financial crisis which may force it to further curtail its Second Five-Year Plan (1956-61), this time even more sharply. The government now estimates that there will be a $617,000,000 deficit in India's balance of payments during the fiscal year ending 31 March 1959, after taking account of all assured foreign aid. India had only $561,000,000 in foreign exchange on 1 April 1958, and must keep a minimum of about $200,000,000 for working capital. [redacted] 25X1

[redacted] 25X1

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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[redacted]

no

Algeria: Junta leaders in Algeria are apparently unhappy that De Gaulle's return to power was not accompanied by a more complete break with the "regime of parties" they have condemned. They probably intend to maintain pressure, at least through further organized demonstrations, for acceptance in Paris of their program to integrate Algeria's Moslems within a centralized French state. Local army leaders, who have recently tightened their control throughout the area, are unlikely openly to oppose any of De Gaulle's policies for the present. [redacted] 25X1

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III. THE WEST

[redacted]

*France: Premier De Gaulle's 15-man cabinet contains no military representatives and only two "Gaullists." Four key leaders--Socialist Guy Mollet, Popular Republican Pierre Pflimlin, Independent Louis Jacquinot, and Democratic Resistance Union leader Felix Houphouet-Boigny, a native West African--who were named ministers without portfolio, may constitute an "inner cabinet." The nomination as foreign minister of Maurice Couve de Murville, ambassador to Bonn and formerly to Washington, may be intended to reassure both capitals as to De Gaulle's foreign policy. De Gaulle is reliably reported deferring the selection of a minister for Algeria until he can investigate the situation there personally, and he may have postponed naming a minister of national defense for the same reason. De Gaulle may face early difficulties holding his 329 supporters together when he presents the specifics of his program, particularly on constitutional reform and Algeria, since at least some extreme rightists are already concerned lest he be too liberal. [redacted] 25X1

25X1 [redacted]

[redacted] 25X1

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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Finland-USSR: The USSR, according to the communiqué issued on the conclusion of President Kekkonen's recent state visit to the Soviet Union, has agreed in principle to give Finland a credit of $100-125,000,000 and to grant Finland transit rights on the lower half of the Saimaa Canal for 50 years. The two countries have also agreed to early negotiations for another five-year trade agreement for the period 1961-65. The Finns are apparently trying to convince the USSR that recent indications of Finnish interest in OEEC and liberalization of trade with the West do not indicate any intentions to jeopardize Soviet-Finnish trade relations.

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I. THE COMMUNIST BLOC

Soviet Official Comments on French Situation

Counselor Rogov of the Soviet Embassy in Paris, although critical of De Gaulle, told an American official on 29 May he thought "things might not be too bad" if De Gaulle were to come to power legally with the support of most of the assembly. This statement and his remarks about the "disastrous results" if De Gaulle should gain power forcefully and a civil war break out suggest that Moscow lacks confidence in the willingness of rank-and-file French Communists to fight, does not want the party to become isolated from the Socialists, and does not desire violent Communist resistance to De Gaulle under the present circumstances. Rogov said even the Communists do not really want a popular front because they realize the time is not yet ripe for it. Moscow probably believes the groundwork for a popular-front government can only be laid slowly, through joint political action with some or all of the Socialists under a De Gaulle government.

Another Soviet Embassy official has pointed out the necessity of distinguishing between Soviet global policies and the activities of a local Communist party, which must "protect its own position." Moscow has been careful not to jeopardize the chances of good relations with De Gaulle by rash statements. The Soviet Foreign Ministry's public statement on 30 May affirming noninterference in French internal affairs is the only prudent course the USSR could take after Voroshilov had been quoted as making critical remarks about De Gaulle.

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

Next 1 Page(s) In Document Exempt

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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Possibility of Early General Elections in Burma

Apparently unswayed by a threat from Deputy Prime Minister Kyaw Nyein that the army would move to prevent new national elections at this time, Prime Minister U Nu is [redacted] 25X1 determined to call for early elections, regardless of the outcome of the 5 June parliamentary vote to decide whether his or Kyaw Nyein's faction of the Anti-Fascist People's Freedom League will form a new government. Nu anticipates winning a narrow victory in parliament, in which case he will take his time in calling for elections; if he loses, he will call for elections immediately.

Under the Burmese constitution, a prime minister who has been defeated on a question of confidence can either resign or ask the President to dissolve the parliament and call for new elections.

While Nu's decision to press for early elections is undoubtedly inspired by the hope that his non-Communist parliamentary support would be increased, it seems likely that the Communists would be the principal beneficiaries. The two warring factions of the AFPFL are themselves the major non-Communist political forces in Burma; a bitter electoral struggle between them, in which violence outside of Rangoon would be probable, would materially enhance the Communists' prospects for substantially increased representation in parliament.

Kyaw Nyein claims that General Ne Win, commander in chief of the Burmese armed forces, authorized him to send a message to Nu threatening that the army would step in if he called for elections after being defeated in parliament. Kyaw Nyein has apparently not yet succeeded in convincing Ne Win that he should take similar action if Nu wins the parliamentary vote. In the latter case, Ne Win would probably move only if convinced that to permit elections at this time would be courting the danger of a Communist victory. [redacted] 25X1

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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India Faces Major Foreign Exchange Crisis

The Indian Government is facing a major foreign exchange crisis which may force it to curtail the goals of the Second Five-Year Plan (1956-61) even more sharply than was done in 1957. The government now estimates there will be a $617,000,000 deficit in the balance of payments during the fiscal year ending 31 March 1959, and a $1.317 billion deficit for the last three years of the plan after taking account of all assured foreign aid. The enlarged deficit results chiefly from a lower and more realistic estimate of export earnings, particularly in view of the American recession and the slowdown in European economic growth.

India had only $561,000,000 in foreign exchange reserves at the beginning of the present fiscal year on 1 April. Indian officials think the reserves can be reduced as low as $210,000,000 for a short time. They believe, however, that the reserves must be at least $420,000,000 at the end of the plan, as India must then allocate large sums for repayment of foreign loans.

Since Prime Minister Nehru and other Congress party leaders have committed their prestige on the successful fulfillment of the plan, any drastic cutbacks would place them in a vulnerable position in the 1962 elections.

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Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

Next 1 Page(s) In Document Exempt

Approved For Release 2002/07/30 : CIA-RDP79T00975A003700280001-0

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III. THE WEST

Premier De Gaulle Forms New French Government

The composition of Premier Charles de Gaulle's new cabinet reflects his efforts to ensure himself broad support, particularly on the left, for his investiture vote. The 15-member body contains no military representative, and there is press speculation that De Gaulle himself may head the Ministry of National Defense, a move which would ensure healing of the breach between the government and the army in Algeria, which otherwise would find little comfort in the composition of the cabinet. Two cabinet appointees, Social Republican Senator Michel Debre, minister of education, and rightist author Andre Malraux, named to an unspecified ministerial or subministerial post, are the only two Gaullists among the 15.

An "inner cabinet" will apparently consist of De Gaulle and four nonextremist party leaders named as ministers of state without portfolio--Socialist Guy Mollet, Popular Republican Pierre Pflimlin, Independent Louis Jacquinot, and Felix Houphouet-Boigny, a native of West Africa affiliated with the center Democratic Resistance Union. According to Independent leader Antoine Pinay, who was named minister of finance and economic affairs, De Gaulle will govern during the National Assembly's "vacation" of six months, possibly extendable, with five or six committees dealing with such matters as finance, foreign affairs, and overseas territories.

The surprise appointment as foreign minister of Maurice Couve de Murville, ambassador to Bonn and formerly to Washington, seems designed to reassure both capitals on the score of France's alliances. According to Pinay, De Gaulle feels he must accept NATO, but wants the French military to have more say in NATO planning. He also favors the European community, but, according to Pinay, "built around France" rather than one in which France is an equal partner.

De Gaulle is expected to visit Algiers soon--possibly this week--and for the moment is apparently delaying

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appointment of a minister for Algeria. Pinay described De Gaulle's long-range views on Algeria as "rather extreme" and therefore probably not to be publicized immediately. These reportedly envision a federation of African states--including Algeria and West and Equatorial Africa--with the seat of government in Algiers. Rightists seem already disenchanted over his concession to the party system, and many of the extremists in Algiers are having second thoughts about his leadership.

De Gaulle may face early difficulties in holding together his 329-vote assembly majority when he demands power to redefine France's relationship with its possessions and when he asks for immediate revision of Article 90 of the constitution in order to expedite the reforms on which he has always insisted. His proposal to submit his reforms to a referendum will be popular with the public but not with the deputies.

Despite sporadic Communist outbursts on 1 June in Paris and several other cities, the loyalty of the security troops to the De Gaulle regime seems assured. Communist efforts to spark a popular front at this time are further handicapped by Moscow's cautious approach to the advent of De Gaulle.

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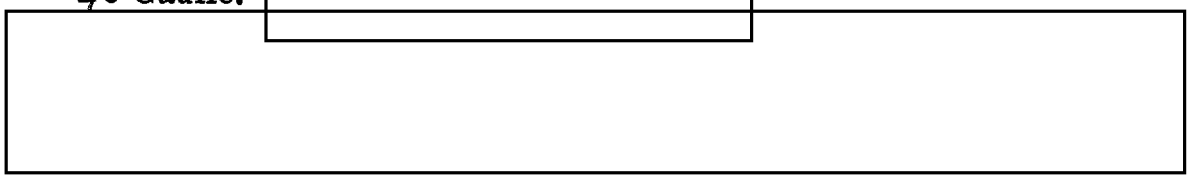

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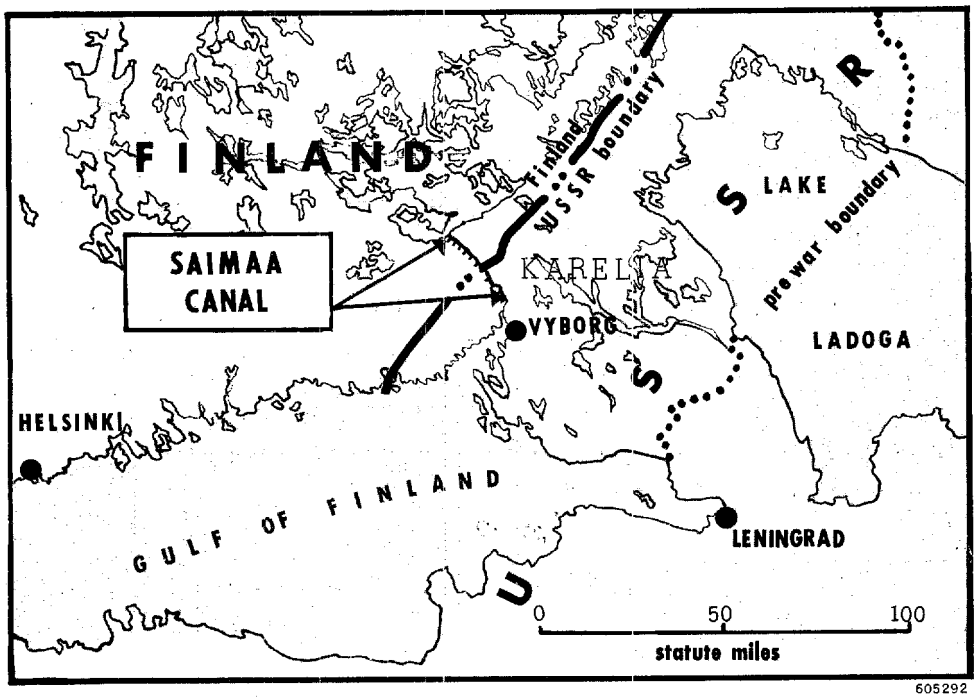

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Finland-USSR

The communiqué issued at the end of President Kekkonen's recent state visit to Moscow suggests that the Finns are trying to convince the USSR that Finland is determined to preserve its trade with the Soviet Union and that Finnish interest in joining OEEC does not imply any diminution in Soviet-Finnish trade. Indications of Finnish interest in OEEC and measures liberalizing trade with Western European countries have in recent months aroused Soviet suspicions.

According to the communiqué, the Finnish and Soviet leaders agreed that the two countries should soon start to negotiate the basic over-all trade agreement for the period 1961-65. Current trade is conducted on the basis of annual agreements negotiated within the framework of the Second Five-Year Agreement (1956-60).

The USSR has agreed in principle to make a long-term, low-interest loan of some $100,000,000-$125,000,000 to Finland in Soviet equipment, to be used for industrial development. Talks will begin after the Finnish Government makes specific proposals. In addition, the USSR agreed in principle to grant Finland transit rights on that portion of the Saimaa Canal crossing Soviet territory and to lease Finland sites for port facilities near Vyborg. Finnish interest in the Saimaa Canal has been more political than economic, since the Finns have hoped the USSR might cede back to Finland the territory to the west of the canal. During Kekkonen's visit, however, Khrushchev, in a public address, rejected territorial changes. The initative in both the loan and canal cases was taken by the Finns.

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